TIGAR A.D., PIROT

Consolidated Financial Statements
Year Ended December 31, 2007 and
Independent Auditors' Report

Translation of the Independent Auditors' Report Issued in the Serbian language

CONTENTS

This is a translation of the original report issued in the Serbian language

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Tigar A.D., Pirot

We have audited the accompanying consolidated financial statements (pages 3 to 36) of “Tigar” A.D., Pirot and subsidiaries (the “Company”), which comprise the consolidated balance sheet as at December 31, 2007, and the consolidated income statement, statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory notes.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting regulations of the Republic of Serbia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and the Law on Accounting and Auditing of the Republic of Serbia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

This is a translation of the original report issued in the Serbian language

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Tigar A.D., Pirot (Continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries as of December 31, 2007, and the results of its consolidated financial performance, changes in equity and its cash flows for the year then ended, in accordance with the accounting regulations of the Republic of Serbia.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements disclosing that these consolidated financial statements were prepared by applying the IASs which were in effect as of December 31, 2002 and the accounting regulations of the Republic of Serbia based on them. The Company's management assesses IASs, IFRSs and interpretations the application of which was prescribed pursuant to the February 12, 2008 Decision enacted by the Minister of Finance of the Republic of Serbia and once the standards and interpretations with reference to the Company's activities have been established, the Company intends to apply them in preparing the financial statements for the period beginning January 1, 2008. With regards to the provisions contained in the newly-adopted and amended standards and interpretations which relate to the application date and the provisions with reference to the disclosure of comparative figures, upon their adoption and application by the Company, certain reclassification of data presented in the accompanying consolidated financial statements for the year 2007 might be required, as these will be used as comparative figures in the Company's consolidated financial statements for the year 2008.

Belgrade, April 10, 2008

Gordana Radić Đorđević
Certified Auditor

CONSOLIDATED INCOME STATEMENT
Year Ended December 31, 2007
(thousands of RSD)

	Notes	2007	2006
			(Restated)
OPERATING INCOME			
Sales of goods, products and services	5	3,714,897	8,582,104
Own work capitalized		55,545	45,017
Increase in value of inventories		151,819	390,644
Other operating income	7	65,946	19,931
		3,988,207	9,037,696
OPERATING EXPENSES			
Cost of commercial goods sold		(1,054,620)	(1,572,152)
Cost of material	8	(1,162,140)	(4,351,819)
Staff costs	9	(1,332,030)	(2,025,336)
Depreciation, amortization and provisions	10	(90,255)	(329,253)
Other operating expenses	11	(539,330)	(757,044)
		(4,178,375)	(9,035,604)
OPERATING (LOSS)/PROFIT		(190,168)	2,092
Finance income	12	299,056	317,903
Finance expenses	13	(148,504)	(247,668)
Other income	14	370,035	62,146
Other expenses	15	(113,663)	(74,016)
PROFIT BEFORE TAXATION		216,756	60,457
Income taxes	16	(51,729)	(13,273)
NET PROFIT		165,027	47,184
Net profit attributable to:			
Tigar A.D., Pirot		161,717	43,310
Minority interests		3,310	3,874
		165,027	47,184

The accompanying notes on the following pages
are an integral part of these consolidated financial statements.

These consolidated financial statements were adopted by the management of Tigar A.D., Pirot.

Signed on behalf of Tigar A.D., Pirot:

Director General — Head of Accounting

Dragan Nikolić — Dragoslava Branković

CONSOLIDATED BALANCE SHEET
As of December 31, 2007
(thousands of RSD)

	Notes	2007	2006
ASSETS			*(Restated)*
Non-current assets			
Intangible assets	18	36,343	8,472
Property, plant and equipment	18	1,155,252	2,718,249
Equity investments	19	1,218,628	21,004
Other long-term financial placements	20	55,674	57,717
		2,465,897	2,805,442
Current assets			
Inventories	21	1,031,608	1,934,432
Assets held-for-sale	22	23,926	29,126
Accounts receivable	23	1,566,850	1,388,874
Receivables for prepaid income taxes		1,868	-
Short-term financial placements		1,127	138
Cash and cash equivalents	24	325,936	309,356
Value added tax and prepayments	26	38,616	81,074
Deferred tax assets	16	28,301	44,397
		3,018,232	3,787,397
Total assets		5,484,129	6,592,839
EQUITY AND LIABILITIES			
Equity	27		
Share capital		2,062,152	2,062,152
Reserves		575,611	567,095
Revaluation reserves		11,168	7,956
Retained earnings		13,775	(15,644)
Minority interest		42,816	50,561
		2,705,522	2,672,120
Long-term provisions and liabilities			
Long-term provisions	28	73,251	108,888
Long-term liabilities	29	240,433	791,149
		313,684	900,037
Current liabilities			
Short-term financial liabilities	30	813,511	1,160,383
Accounts payable	31	1,446,145	1,551,970
Value added tax and other public duties payable		25,585	35,105
Other current liabilities and accruals	32	162,134	272,017
Income taxes payable		14,264	1,207
		2,461,639	3,020,682
Deferred tax liabilities	16	3,284	-
Total equity and liability		5,484,129	6,592,839

The accompanying notes on the following pages
are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2007
(thousands of RSD)

	Share capital	Reserves	Revaluation Reserves	Retained Earnings	Minority Interest	Translation reserves	Total
(Restated)							
Balance, January 1, 2006	2,062,152	514,179	8,026	72,256	1,970,052	(41)	4,626,624
Opening balance adjustment	-	-	-	(24,235)	-	-	(24,235)
Effect of the changes in the consolidation scope	-	(2,841)	-	(12,693)	(1,925,508)	4	(1,941,038)
Transfers to reserves	-	55,757	-	(55,757)	-	-	-
New share issuance	-	-	-	-	4,320	-	4,320
Allocations for dividends	-	-	-	(43,408)	(255)	-	(43,663)
Profit for the year (restated)	-	-	-	47,184		-	47,184
Profir attributable to minority shareholders				(3,874)	3,874		-
Other	-	-	(70)	4,883	(1,922)	37	2928
Balance, December 31, 2006	2,062,152	567,095	7,956	(15,644)	50,561	-	2,672,120
Balance, January 1, 2007, (restated)	2,062,152	567,095	7,956	(15,644)	50,561	-	2,672,120
Transfers to reserves	-	30,448	-	(30,448)	-	-	-
Allocations for dividends	-	-	-	(43,477)	-	-	(43,477)
Profit for the year	-	-	-	165,027	-	-	165,027
Profit attributable to minority shareholders	-	-	-	(3,310)	3,310	-	-
Other	-	(21,932)	3,212	(58,373)	(11,055)	-	(88,148)
Balance, December 31, 2007	2,062,152	575,611	11,168	13,775	42,816	-	2,705,522

The accompanying notes on the following pages
are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
Year Ended December 31, 2007
(thousands of RSD)

	2007	2006 *(Restated)*
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	4,330,352	8,452,946
Interest receipts	11,810	-
Other receipts from operating activities	104,537	36,871
Cash paid to suppliers for raw materials and other expenses	(3,912,226)	(6,524,347)
Gross salaries and other staff costs paid	(1,312,488)	(2,020,541)
Interest paid	(111,760)	(118,270)
Taxes and contributions paid	(21,160)	(13,776)
Other public duties payable	(11,698)	(29,836)
Net cash used in operating activities	(922,633)	(216,953)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of shares and equity investments (net inflows)	803,753	13,293
Proceeds from the sale of property, plant and equipment	298,412	6,824
Other financial placements	245	18,533
Interest received	6,578	6,024
Dividends received	91,743	30,231
Purchase of shares and equity investments (net outflows)	-	(14,784)
Purchase of property, plant and equipment	(325,752)	(599,566)
Net cash provided by/(used in) investing activities	874,979	(539,445)
CASH FLOWS FROM FINANCING ACTIVITIES		
Inflows of long-term and short-term loans	88,035	897,822
Other long- and short-term liabilities, net inflows/(outflows)	21,132	(61,526)
Dividends paid	(42,000)	(42,633)
Net cash provided by financing activities	67,167	793,663
Net cash increase	19,513	37,265
Cash and cash equivalents at beginning of year	309,356	282,446
Foreign exchange gains and losses on translation of cash and cash equivalents, net	(2,933)	(10,355)
Cash and cash equivalents at beginning of year	325,936	309,356

The accompanying notes on the following pages
are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
All amounts are expressed in thousands of RSD, unless otherwise stated.

1. FOUNDATION AND ACTIVITY

Tigar A.D., Pirot (the "Company"), was founded in 1935 as a factory engaged in the production of a variety of rubber products and rubber-constructed shoes. After a cessation of its business activities during World War II, the Factory resumed its operations on December 20, 1945. In 1972, the Company was the first in the former Yugoslavia to introduce, under its proprietary technological and construction processes, the production of radial automobile tires manufactured with an inner textile belt. During 1991 the Company changed its legal form from that of a socially-owned enterprise into a shareholding company operating under mixed ownership, and on July 16, 1996, the Company changed its name to Tigar A.D., Pirot, an unlimited liability, shareholding company doing business in the manufacture of rubber products.

As of January 1, 2003 the Company underwent legal reorganization and status changes, whereby its organizational units, Fabrika Autoguma (tire production factory) and Fabrika unutrašnjih guma (inner tube production factory) separated from the Company and joined the newly-established entity, Tigar M.H., a Company for the Production of Tires, D.O.O., Pirot ("TMH") in which the Company held an equity interest of 65 During 2005, the minority investors of Tigar MH have made additional capital contributions, thereby the Company's equity interest has been changed from 65% to 50%. In accordance with the relevant partners' agreement, the registered share of the Company in Tigar MH with the Business Register is 49.4%. Given the date of registration and the date of additional capital contributions paid by minority investors, the Company's investment in Tigar MH for 2005, calculated on a "pro-rata temporis" basis is 51.7674% and 51.9033%, respectively. In the course of 2007, the Company sold 19.4% stake to the company Michelin, Netherlands and at December 31, 2007, the stake of the Company in "Tigar Tyres" (previously known as: "Tigar MX"), and pursuant to the registration performed, totaled 30% equity (for the changes following the balance sheet date, see Note 34). Accordingly, the entitiy "Tigar Tyres," is not included in the Company's consolidated financial statements prepared for the year ended December 31, 2007 (2006: it was listed for consolidation pursuant to the equity method).

In addition to manufacturing automobile tyres and other rubber-made products, the Company's other principal activities include the production of a variety of glues and utensils, service rendering in the areas of: transportation, construction, tourism and accommodation, foreign trade as well as specialized services in foreign trade-related activities (e.g., long-term cooperation agreements, compensation services, and the export of purchased and imported goods, local border trade), the services related to foreign trade and the like.

The Company's governing administrative bodies are its Shareholders' Assembly, Board of Directors, Director and Supervisory Board.

The Company's registered office is at the street address of Nikole Pašića 213, in Pirot. At December 31, 2007, the Parent Company had 196 employees (December 31, 2006: 221 employee) The Company's tax identification number is 100358298. Pursuant to the Decision issued by the Listing and Quotation Commission of the Belgrade Stock Exchange, the Company's stock exchange symbol is TIGR.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
All amounts are expressed in thousands of RSD, unless otherwise stated.

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1. Scope of Consolidation

The accompanying financial statements represent the consolidation of the financial statements of Tigar A.D., Pirot (the “Company” or “Parent Company”) and the financial statements of the following legal entities:

		% of Equity Stockholdings
1	Tigar Obuća d.o.o, Pirot	100.00%
2	Tigar Hemijski proizvodi d.o.o., Pirot	100.00%
3	Tigar Tehnička guma d.o.o., Pirot	100.00%
4	Tigar Trgovine d.o.o., Pirot	100.00%
5	Tigar Poslovni servis d.o.o., Pirot	100.00%
6	Tigar Tours d.o.o., Pirot	100.00%
7	Tigar Planinarski dom d.o.o., Pirot	100.00%
8	Tigar Obezbeđenje d.o.o., Pirot	100.00%
9	Tigar Zaštitna radionica, d.o.o., Pirot	100.00%
10	Tigar Inter Risk d.o.o., Pirot	100.00%
11	Tigar Export-Import d.o.o., Pirot	100.00%
12	Tigar Incon d.o.o., Pirot	100.00%
13	Slobodna Zona Pirot, A.D., Pirot	74.31%
14	Tigar Montenegro d.o.o., Podgorica, Republic of Montenegro	80.00%
15	Tigar Panter d.o.o., Republif of Macedonia	70.00%
16	D.O.O. Tigar Trejd, Banja Luka, Republic of Srpska	70.00%
17	Tigar Americas Jcksonwill, Florida, USA	100.00%
18	Tigar Europe, London, UK	50.00%

The issued consolidated financial statements for the year 2006 did not include the financial statements of the subsidiaries: Tigar Partner Skoplje, Tigar Trejd Banjaluka, Tigar Americas, Jcksonwill, Florida and Tigar Europe, London, and they included 49.4% of financial statements of the company Tigar MH, Pirot. The comparative data in these financial statements were restated and now include the financial statements of these subsidiaries. The effects of the change in the scope of consolidation on the Company’s financial statements are presented in the Note 4.

The financial statements of foreign subsidiaries stated in their functional currencies are translated into the reporting currency of the Parent Company (Dinar), by translating the assets and liabilities at the official exchange rate as of the balance sheet date, and by translating income and expenses at the average rates of exchange prevailing during the year.

All material intercompany balances and transactions relating to the abovelisted subsidiaries have been eliminated upon consolidation.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
All amounts are expressed in thousands of RSD, unless otherwise stated.

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1. Basis of Preparation and Presentation of Consolidated Financial Statements

Pursuant to the Law on Accounting and Auditing (See Official Gazette of the Republic of Serbia no. 46 of June 2, 2006), legal entities and enterprises incorporated in Serbia are required to maintain their books of account, to recognize and value assets and liabilities, income and expenses, and to present, submit and disclose financial statements in conformity with the prevailing legislation and professional rules which include: the Framework for the Preparation and Presentation of Financial Statements (the "Framework"), International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), as well as the related interpretations representing an integral part of these standards.

Pursuant to its Decision numbered 011-00-738-2003-01 of December 30, 2003, the Republic of Serbia Ministry of Finance determined and issued the Framework and IAS that were applied as of December 31, 2002, and upon which both the previous and the Law on Accounting and Auditing from 2006 were based.

The amendments to the IAS, as well as to the newly-issued IFRS and the related interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee, upon the aforementioned date were officially adopted pursuant to Decision enacted by the Ministry of Finance of the Republic of Serbia with reference to the issuance of International Financial Reporting Standards (number 401-00-11/2008-16) as published in the Official Gazette of the Republic of Serbia number 16 of February 12, 2008 and therefore could not be applied in preparation of accompanying consolidated financial statement of the Company for the year 2007.

The Company's management assesses IAS, IFRS and the respective Interpretations, the application of which is determined pursuant to the February 12, 2008 Decision of the Minster of Finance of the Republic of Serbia and after standards and interpretations with reference to the Company's activities have been established, the Company intends to apply them in the preparation of the consolidated financial statements for the period beginning January 1, 2008.

In accordance with the aforementioned, and with regards to the potentially material effects of the departures of the accounting regulations of the Republic of Serbia and IAS, in effect as of December 31, 2002 (officially published and whose application was legally prescribed in the Republic of Serbia prior to February 12, 2008), from the newly-issued IFRS and amended IAS, the accompanying financial statements cannot be described as having been prepared in accordance with IFRS and IAS.

In addition, the accompanying consolidated financial statements are presented in the format prescribed under the "Guidelines on the Prescribed Form and Content of the Financial Statements of Enterprises, Cooperatives and Entrepreneurial Ventures" (See Official Gazette of the Republic of Serbia, no. 114 of December 22, 2006). Such statements represent the complete set of financial statements as defined under the law, which differ from those defined under the provisions of IAS 1, "Presentation of Financial Statements," and differ in some respects, from the presentation of certain amounts as required under the aforementioned standard.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
All amounts are expressed in thousands of RSD, unless otherwise stated.

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.2. Basis of Preparation and Presentation of Consolidated Financial Statements (Continued)

In the preparation of the accompanying consolidated financial statements, the Company has adhered to the accounting policies described in Note 3 which are in conformity with the accounting and tax regulations prevailing in the Republic of Serbia.

The Company’s consolidated financial statements are stated in thousands of dinars (RSD). The dinar is the official reporting currency in the Republic of Serbia.

2.3. Comparative Information

The Company’s audited consolidated financial statements for the year ended December 31, 2006, as adjusted by the effects of change in consolidation scope, are used as the comparative information in the accompanying consolidated financial statements. The effects of the change in consolidation scope are presented in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Use of Estimates

The presentation of the consolidated financial statements requires that the Company’s management make best estimates and reasonable assumptions that effect: the assets and liabilities amounts, the disclosure of contingent liabilities and receivables as of the date of preparation of the consolidated financial statements, as well as the income and expenses arising during the accounting period. These estimations and assumptions are based on information available to us, as of the date of preparation of the consolidated financial statements. However, actual results may vary from these estimates.

3.2. Revenue and Expense Recognition and Measurement

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided throughout the normal course of business, net of discounts; value added taxes and other taxes.

Income from sales is recognized when the risk and rewards associated with the right of ownership are transferred to the customer; which is considered to be the date upon which products are delivered to the customer.

At the time when income is recognized, the related expenditure is also recognized (as per the “matching principle”).

Interest income and interest expense is credited or charged to the income statement in the accounting period to which it relates.

Investments income is recognized when the Company’s entitlements to receive investment income has been established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3. Foreign Exchange Translation

Transactions denominated in foreign currencies are translated into dinars at the official exchange rates in effect at the date of each transaction.

Assets and liabilities denominated in foreign currencies are translated into dinars by applying the official exchange rates prevailing at the balance sheet date.

Foreign exchange gains or losses arising upon the translation of transactions, and assets and liabilities in foreign currencies are credited or charged to the income statement.

3.4. Employee Benefits

Taxes and Contributions Made to the Employee Social Security and Insurance Funds

In accordance with regulatory requirements, the Company is obligated to pay contributions to tax authorities and to various state social security funds that guarantee social security insurance benefits to employees. These obligations involve the payment of taxes and contributions on behalf of the employee, by the employer, in an amount computed by applying the specific, legally-prescribed rates. The Company is also legally obligated to withhold contributions from gross salaries to employees, and on behalf of its employees, to transfer the withheld portions directly to the applicable government funds. These taxes and contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise.

Obligations for Retirement Benefits and Jubilee Awards

The Company is under obligation to pay to its employees retirement benefits, depending on the years of service with the Company in the amount of three salaries which the employee earned in the month preceding the payment, or in the amount of an average salary in the Company in the month preceding the payment of retirement benefit, if such arrangement proves more favorable for the employee.

In addition to the aforementioned, the Company is under obligation to pay jubilee awards for 20 and 30 years of service with the Company and upon his/her retirement, which are payable in gold coins of 3, 6, i.e., 9 grams.

The Company made respective provisions for the employee benefits.

3.5. Taxes and Contributions

3.5.1. Income Taxes

Current Income Taxes

Income tax is payable at the rate of 10% on the tax base reported in the annual corporate income tax return as reduced by any applicable tax credits. The taxable base stated in the income tax return includes the profit shown in the statutory statement of income, as adjusted for differences that are specifically defined under statutory tax rules.

The tax regulations in the Republic of Serbia do not envisage that any tax losses of the current period be used to recover taxes paid within a specific carry back period. However, any current year losses may be used to reduce or eliminate taxes to be paid in future periods, but only for duration of no longer than ten years in succession.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5. Taxes and Contributions (Continued)

3.5.1. Income Taxes (Continued)

Deferred Income Taxes

Deferred income taxes are provided using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. The currently-enacted tax rates or the substantively-enacted rates at the balance sheet date are used to determine the deferred income tax amount. Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, and the tax effects of income tax losses and credits are available for carry forward, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the tax loss/credits of the carry forwards can be utilized.

Indirect Taxes and Contributions

Indirect taxes and contributions include property taxes and various other taxes and contributions paid pursuant to republic and municipal regulations. These taxes and contributions are presented within other operating expenses.

3.6. Intangible Assets

Intangible assets are stated in the Company's books of account at cost, after adjustment for accumulated amortization and any impairment losses.

Intangible assets comprise the capitalized cost of software, licenses and similar rights, which are amortized over a period of five years.

3.7. Property, Plant and Equipment

Property, plant and equipment are initially recorded at cost less any accumulated allowance for impairment arising from accumulated depreciation.

Cost represents the prices billed by suppliers together with all costs incurred in bringing new assets into use net of any trade discounts and rebates.

Subsequent expenditure such as modification or adaptation to the assets is recognized as an increase in cost of the respective assets, when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Company, and when the cost can reliably be measured. Repairs and maintenance are expensed as incurred.

After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

All amounts are expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7. Property, Plant and Equipment (Continued)

As of the balance sheet date, the Company's management reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Any impairment loss is recognized in the income statement in the period in which it is incurred and is presented within other operating expenses. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

The depreciation of property, plant and equipment is computed on a straight-line basis for every, individual item of plant, equipment and intangible assets in order to fully write off the cost of the assets over their estimated useful lives.

	U %
Buildings	1.30 - 5.00%
Equipment:	
Power stations	10.00%
Production equipment	12.50% - 14.30%
Molds	50.00%
Vehicles	14.30%
Cars	15.50%
Laboratory and measurement equipment	16.60%
Furniture	12.50%
Computers	20.00%

3.8. Financial Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to the Company. All other leases are classified as operating leases. Assets held under finance leases are recognized as assets of the Company at the present value of the minimum lease payments, each determined at the inception of the lease, if they are below the fair value of the asset under lease. Otherwise, they are recognized at fair value. The corresponding liability to the lessor is included in the balance sheet as a finance lease liability.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
All amounts are expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9. Inventories

Inventories are primarily stated at the lower of cost and net realizable value. The net realizable value is the price at which inventories can be realized throughout the normal course of business, after allowing for the costs of realization.

Work in progress and finished products include all direct production-related costs and the attributable portion of production overheads.

Goods for sale at retail locations are valued during the year at their retail selling prices. At the end of each accounting period, the carrying value is adjusted to cost by an apportionment of the related selling margin calculated on an average basis, between the cost of goods sold and the inventories held.

Goods for sale stored in warehouses are carried at wholesale prices. At the end of each accounting period, the carrying value is adjusted to cost by an apportionment of the related wholesale margin calculated on an average basis, between the cost of goods sold and the inventories held.

Allowance for impairment is charged to "Other expenses" and is made where appropriate in order to reduce the value of inventories to management's best estimate of net realizable value. Inventories found to be damaged or of a substandard quality are written off.

3.10. Financial Instruments

Financial instruments are initially measured at fair value as increased by the transaction costs (except for financial assets and liabilities carried at fair value through profit and loss) which are directly attributable to the acquisition or issuance of a financial asset or financial liability.

Financial assets and financial liabilities are recognized in the Company's balance sheet on the date upon which the Company becomes counterparty to the contractual provisions of a specific financial instrument. The purchase or sale of finanaicial assets is recognized asof the settllement date, which is the date when the asses is delivered to the other party.

Financial assets cease to be recognized when the Company loses control of the contractual rights governing such instruments; which occurs when the rights of use of such instruments have been realized, expired, abandoned, and/or ceded. Financial liabilities cease to be recognized when the Company fulfills the obligations, or when the contractual repayment obligation has either been cancelled or has expired.

Long-Term Financial Placements

Long-term financial placements are comprised of equity investments in banks and other legal entities

Equity investments in banks and other legal entities are initially recognized at their initial acquisition cost, as increased by a portion of reinvested profit and decreased by losses sustained.

Investments in banks and other legal entities, for which an active market and reliable market values do not exist, are stated at cost less allowances for impairment.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
All amounts are expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Financial Instruments (Continued)

Other Long-term Financial Placements

Other long-term financial placements are comprised of receivables from employees for residential housing loans that have been extended with 20-year maturities, and have been stated at nominal value which represents the present value of the future cash flows discounted at a contracted interest rate ranging from 1.5 percent to 2 percent. Based on Management estimates, effects of non-compliance with provisions of IAS 39, "Financial instruments: recognition and disclosure", requiring long-term receivables to be stated at their amortized values, is not material to the consolidated financial statements of the Company taken as whole.

Accounts Receivable

Accounts receivable are stated at their nominal values as reduced by appropriate allowances for estimated uncollectible amounts.

An allowance for impairment is recognized and charged to the income statement against domestic and foreign accounts receivable balances that are more than 180 days past due. The uncollectible receivables are written off either on the basis of a court decision or settlement agreed between the parties involved, or otherwise, based upon a relevant resolution of the Company's Board of Directors.

Accounts Payable

Accounts payable are stated at their nominal values.

Borrowings

Borrowings are stated in their nominal amount as increased by the matured outstanding interest as increased by any penalty interest.

3.11. Fair Value

The accompanying financial statements are prepared on a historical cost basis, including adjustments and provisions made to reduce assets to their estimated recoverable amounts.

It is the policy of the Company to disclose the fair value information on those financial assets and financial liabilities for which published market information is readily and reliably available, and whose fair value is materially different from their recorded amounts. Sufficient market experience, stability and liquidity do not exist for the purchase and sale of loans and other financial assets or liabilities, given that published market information is not readily available. Hence, fair value cannot be reliably determined. As per the Company's management, amounts expressed in the financial statements reflect the fair value which is most reliable and useful for the needs of the financial reporting in accordance with the Law on Accounting and Auditing of the Republic of Serbia.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
All amounts are expressed in thousands of RSD, unless otherwise stated.

4. ADJUSTMENT OF COMPARATIVE INFORMATION PREVIOUSLY ISSUED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Due to the change in consolidation scope, the consolidated financial statements have been adjusted as follows:

CONSOLIDATED BALANCE SHEET

	Previously Stated December 31, 2006	Adjustments	Restated, December 31, 2006
ASSETS			
Non-current assets			
Intangible assets	8,472	-	8,472
Property, plant and equipment	2,706,855	11,394	2,718,249
Equity investments	173,867	(152,863)	21,004
Other long-term financial placements	57,717	-	57,717
	2,946,911	(141,469)	2,805,442
Current assets			
Inventories	1,853,431	81,001	1,934,432
Assets held-for-sale	28,835	291	29,126
Accounts receivable	1,225,110	163,764	1,388,874
Short-term financial placements	138	-	138
Cash and cash equivalents	227,662	81,694	309,356
Value added tax and prepayments	80,623	451	81,074
	3,415,799	327,201	3,743,000
Deferred tax assets	26,683	17,714	44,397
Total assets	6,389,393	203,446	6,592,839
EQUITY AND LIABILITIES			
Equity			
Share capital	2,062,152	-	2,062,152
Reserves	569,936	(2,841)	567,095
Revaluation reserves	7,956	-	7,956
Retained earnings	50,144	(65,788)	(15,644)
Translation reserves	(4)	4	-
Minority interests	38,022	12,539	50,561
	2,728,206	(56,086)	2,672,120
Long-term provisions and liabilites			
Long-term provisions	45,566	63,322	108,888
Long-term liabilities	788,312	2,837	791,149
	833,878	66,159	900,037
Current liabilities			
Short-term financial liabilities	1,154,324	6,059	1,160,383
Accounts payable	1,395,424	156,546	1,551,970
Other current liabilities and accruals	260,686	11,331	272,017
Value added tax and public duties payable	15,668	19,437	35,105
Income taxes	1,207	-	1,207
	2,827,309	193,373	3,020,682
TOTAL EQUITY AND LIABILITIES	6,389,393	203,446	6,592,839

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
All amounts are expressed in thousands of RSD, unless otherwise stated.

4. ADJUSTMENT OF COMPARATIVE INFORMATION PREVIOUSLY ISSUED IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONSOLIDATED INCOME STATEMENT

	Year Ended December 31,		
	Previously Stated	Adjustments	Restated
OPERATING INCOME			
Sales of goods, products and services	7,426,629	1,155,475	8,582,104
Work performed by the Company and capitalized	45,017	-	45,017
Changes in inventories of finished products and work in progress	390,644	-	390,644
Other operating income	19,532	399	19,931
Operating income	7,881,822	1,155,874	9,037,696
OPERATING EXPENSES			
Cost of commercial goods sold	(558,543)	(1,013,609)	(1,572,152)
Materials, fuel and energy consumed	(4,348,753)	(3,066)	(4,351,819)
Staff costs	(1,977,193)	(48,143)	(2,025,336)
Depreciation, amortization and provisions	(327,309)	(1,944)	(329,253)
Other operating expenses	(725,767)	(31,277)	(757,044)
	(7,937,565)	(1,098,039)	(9,035,604)
Operating (loss)/profit	(55,743)	57,835	2,092
FINANCE INCOME	314,009	3,894	317,903
FINANCE EXPENSES	(244,522)	(3,146)	(247,668)
OTHER INCOME	61,154	992	62,146
OTHER EXPENSES	(71,042)	(2,974)	(74,016)
PROFIT BEFORE TAXATION	3,856	56,601	60,457
Current tax expense	(10,277)	(18,040)	(28,317)
Deferred taxes benfit	6,214	8,830	15,044
	(4,063)	(9,210)	(13,273)
NET (LOSS)/PROFIT FOR THE YEAR	(207)	47,391	47,184
Net (loss)/profit for the year attributable to:			
Tigar A.D., Pirot	(2,181)	45,491	43,310
Minority interests	1,974	1,900	3,874
	(207)	47,391	47,184

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
All amounts are expressed in thousands of RSD, unless otherwise stated.

4. ADJUSTMENT OF COMPARATIVE INFORMATION PREVIOUSLY ISSUED IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONSOLIDATED CASH FLOW STATEMENT

	Year Ended December 31, 2006		
	Previously Stated	Adjustments	Restated
Cash flows from operating activities			
Cash receipts from customers	7,308,480	1,144,466	8,452,946
Other receipts from operating activities	36,871	-	36,871
Cash paid to suppliers for raw materials and other expenses	(5,510,739)	(1,013,608)	(6,524,347)
Gross salaries and other personnel costs paid	(1,972,396)	(48,145)	(2,020,541)
Interest paid	(117,185)	(1,085)	(118,270)
Taxes and contributions	(13,776)	-	(13,776)
Other duties paid	(29,836)	-	(29,836)
Net cash used in operating activities	(298,581)	81,628	(216,953)
Cash flows from investing activities			
Sale of share and equity investments (net inflows)	13,293	-	13,293
Proceeds from the sale of fixed assets	6,824	-	6,824
Other financial placements	18,533	-	18,533
Interest received	6,024	-	6,024
Dividends received	30,231	-	30,231
Purchase of shares and equity investments (net outflows)	(14,784)	-	(14,784)
Purchase of fixed assets	(599,566)	-	(599,566)
Net cash used in investing activities	(539,445)	-	(539,445)
Cash flows from financing activities			
Long- and short-term borrowings, net inflows	897,822	-	897,822
Other long- and short-term liabilities	(4,406)	(57,120)	(61,526)
Dividends paid	(42,633)	-	(42,633)
Net cash provided by financing activities	850,783	(57,120)	793,663
Net increase in cash and cash equivalents	12,757	24,508	37,265
Cash and cash equivalents at beginning of the year	225,260	57,186	282,446
Foreign exchange gains and losses	(10,355)	-	(10,355)
Cash and cash equivalents at end of the year	227,662	81,694	309,356

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
All amounts are expressed in thousands of RSD, unless otherwise stated.

5. SALES OF GOODS, PRODUCTS AND SERVICES

	Year Ended December 31,	
	2007	**2006**
		(Restated)
Sale on domestic market		
Sales of products and services	1,283,361	1,176,284
Sales of goods	633,775	1,188,025
Sale on foreign markets		
Sales of products and services	1,720,031	5,738,894
Sales of goods	77,730	478,901
	3,714,897	8,582,104

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Products and services within each business segment

For management purposes, the Company is organized into six major operating divisions. These divisions are the basis on which the Company reports its primary segment information. The principal products and services of each of these divisions are as follows:

Passenger tires and truck tires – the manufacture, marketing, distribution and sale of tires and inner tubes, as well as other tire-related products. In the previous period due to the consolidation of the entity Tigar Tyres, Pirot this segment comprises the production of car tires. Tigar Tyres, Pirot is not included in the consolidated financial statements of the Company for the year 2007 due to the fact that the Company sold 19.4% of investment and lost control over the entity.

Rubber products – the manufacture and sale of rubber products such as: tire treads, pipes and flaps designated for the automotive industry, rubber products for mining, sporting equipment and balls.

Chemical products – the production and sale of a range of chemical products, including colors, polishes and other related products, glues and gelatin.

Shoes – the production and sale of rubber-made shoes.

Trade **-** retail trade and wholesale of products from the production program of other segments.

Services – providing of services to tourist agencies, hotel accommodation, catering, protection and security and other services.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
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6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Segment Revenues

	External sales		Inter-segment		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
		(Restated)		*(Restated)*		*(Restated)*
Passenger tyres and truck tyres	-	2,189,459	-	3,041,860	-	5,231,319
Rubber products	233,267	190,213	28,496	39,115	261,763	229,328
Chemical products	188,304	121,436	35,664	36,151	223,968	157,587
Shoes	783,761	638,878	280,439	166,883	1,064,200	805,761
Trade	1,930,413	2,087,547	472,497	11,415	2,402,910	2,098,962
Services	479,081	272,928	236,734	300,958	715,815	573,886
Holding	100,071	39,783	76,656	325,809	176,727	365,592
Total of all segments					4,845,383	9,462,435
Eliminations					(1,130,486)	(880,331)
Consolidated revenue					3,714,897	8,582,104

Segment result

	Year Ended December 31,	
	2007	**2006**
		(Restated)
Passenger tyres and truck tyres	-	123,773
Rubber products	128,155	(68,322)
Chemical products	(15,398)	(21,508)
Shoes	(37,256)	(36,793)
Trade	(17,865)	(33,992)
Services	52,152	100,404
Holding	49,727	70,674
Total of all segments	159,515	134,236
Eliminations	57,241	(73,779)
Profit before tax	216,756	60,457
Income tax expense	(24,349)	(28,317)
Deferred income tax	(27,380)	15,044
Net profit for the year	165,027	47,184

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
All amounts are expressed in thousands of RSD, unless otherwise stated.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Segment assets and liabilities

	Assets		Liabilities	
	December 31, 2007	December 31, 2006 *(Restated)*	December 31, 2007	December 31, 2006 *(Restated)*
Passenger tyres and truck tyres	-	3,880,799	-	2,103,799
Rubber products	471,509	250,076	449,007	223,039
Chemical products	232,860	210,865	181,463	141,677
Shoes	909,114	639,893	828,204	500,062
Trade	1,512,005	994,455	1,204,544	635,527
Services	468,244	349,518	263,707	149,323
Holding	3,592,024	3,432,720	906,185	749,133
Total of all segments	7,185,756	9,758,326	3,833,110	4,502,560
Eliminations	(1,701,627)	(3,165,487)	(1,054,503)	(581,841)
Consolidated	5,484,129	6,592,839	2,778,607	3,920,719

Other segment information

	Acquisition of fixed assets and intangible assets		Depreciation costs	
	2007	2006 *(Restated)*	2007	2006 *(Restated)*
Passenger tyres and truck tyres	-	395,626	-	247,758
Rubber products	5,759	7,430	10,908	16,462
Chemical products	5,198	3,236	6,163	5,718
Shoes	21,297	30,181	18,506	14,619
Trade	57,729	39,227	14,854	13,536
Services	54,905	15,846	17,158	13,633
Holding	136,660	119,067	17,073	17,527
	281,548	610,613	84,662	329,253
Adjustments	-	-	(3)	-
	281,548	610,613	84,659	329,253

NOTES TO THE FINANCIAL STATEMENTS
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All amounts are expressed in thousands of RSD, unless otherwise stated.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Revenue from foreign markets by geographical location

	Year Ended December 31, 2007	2006 *(Restated)*
France	709,934	2,417,056
Great Britain	487,836	1,845,351
Germany	33,086	536,146
Italy	126,260	350,683
Spain	-	158,799
Bosnia and Herzegovina	68,673	132,315
Sweden	27,093	94,452
Bulgaria	9,379	90,227
Finland	216,406	76,682
Poland	2,507	74,795
Turkey	460	65,983
Hungary	169	56,529
Romania	291	51,758
Other	115,667	267,019
	1,797,761	6,217,795

7. OTHER OPERATING INCOME

	Year Ended December 31, 2007	2006 *(Restated)*
Premiums and subsidies received	2,783	3,368
Rent	39,587	3,449
Other income	23,576	13,114
	65,946	19,931

8. COST OF MATERIAL

	Year Ended December 31, 2007	2006 *(Restated)*
Cost of production material	998,347	3,813,127
Cost of overhead material	43,117	223,165
Cost of electricity	28,097	15,384
Other costs of fuel and energy	92,579	300,143
	1,162,140	4,351,819

NOTES TO THE FINANCIAL STATEMENTS
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All amounts are expressed in thousands of RSD, unless otherwise stated.

9. STAFF COSTS

	Year Ended December 31, 2007	2006 (Restated)
Net salaries	758,535	1,123,446
Taxes and contributions on salaries paid by the employees	277,829	468,851
Taxes and contributions on salaries paid by the employer	180,406	290,244
Contracts	6,830	3,511
Remunerations to Supervisory and Management Board Members	12,092	-
Retirement benefits and jubilee awards	27,506	51,719
Travel expenses and prediems	31,122	37,952
Employee meals	91	161
Transport to work and from work	22,858	32,481
Other staff costs	14,761	16,971
	1,332,030	2,025,336

10. DEPRECIATION, AMORTIZATION AND PROVISIONS

	Year Ended December 31, 2007	2006 (Restated)
Depreciation and amortization	84,659	329,253
Provisions	5,596	-
	90,255	329,253

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
All amounts are expressed in thousands of RSD, unless otherwise stated.

11. OTHER OPERATING EXPENSES

	Year Ended December 31, 2007	2006 *(Restated)*
Production costs		
Telecommunications	20,851	21,745
Other transport	22,568	99,407
Maintenance	16,588	56,615
Rentals	33,986	31,182
Fairs and exhibitions	1,947	4,491
Marketing and advertising	29,151	50,387
Research costs	-	-
Other production services	13,580	17,609
Consulting and lawyer fees	18,270	84,430
Other non-production services	44,394	39,835
Entertainment	27,194	33,079
Insurance premiums	15,256	26,442
Bank charges and fees	9,442	19,769
Membership fees	1,830	1,425
Taxes and contributions	32,027	25,109
Other nonmaterial costs	252,246	245,519
	539,330	757,044

12. FINANCE INCOME

	Year Ended December 31, 2007	2006 *(Restated)*
Income from dividends and equity investments in related parties	235,218	37,008
Interest income from placements	41	-
Income from penalty interest	11,810	15,561
Foreign exchange gains	45,450	261,848
Other finance income	6,537	3,486
	299,056	317,903

Income from dividends and equity investments in related parties for the year ended December 31, 2007 are associated with the related parties which are not consolidated as of the aforementioned date, as well as to the proportionate participation of the legal entity Tigar Tyres, Pirot in the profit realized.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
All amounts are expressed in thousands of RSD, unless otherwise stated.

13. FINANCE EXPENSES

	Year Ended December 31, 2007	2006 *(Restated)*
Interest expense	102,563	124,466
Loss on remeasurement of financial instruments	2,811	2,659
Foreign exchange losses	42,628	118,933
Other finance expenses	502	1,610
	148,504	247,668

14. OTHER INCOME

	Year Ended December 31, 2007	2006 *(Restated)*
Gains on the disposal of property, plant and equipment and intangible assets	199,604	3,701
Gains on the sale of equity investments	113,721	9,018
Gains on the sale of materials	4,739	4,123
Surpluses	23	-
Recovered written-off receivables (release of allowance for impairment)	150	26,715
Write-off of liabilities	17,760	-
Release of long-term provisions	-	5,121
Remeasurement of short-term placements	186	-
Other income	33,852	13,468
	370,035	62,146

15. OTHER EXPENSES

	Year Ended December 31, 2007	2006 *(Restated)*
Losses on the disposal of property, plant and equipment and intangible assets	7,745	14,875
Loss on sale of material	1	-
Shortages	488	-
Allowance for impairment of receivables	8,713	13,653
Allowance for impairment of inventories	80,790	28,172
Fair value adjustment of inventories	1,839	-
Fair value adjustment of receivables	1,168	-
Other expenses	12,919	17,316
	113,663	74,016

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
All amounts are expressed in thousands of RSD, unless otherwise stated.

16. INCOME TAXES

a) Components of Income Taxes

	2007	2006
Current income taxes	32,349	28,317
Deferred tax expense/(benefit)	19,380	(15,044)
	51,729	13,273

b) Components of Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities relate to the following positions:

	December 31, 2007	December 31, 2006 *(Restated)*
Deferred tax assets		
Deferred tax liabilities arising from a difference between the value of assets recorded for book and tax purposes	28,301	44,397
Deferred tax liabilities		
Deferred tax liabilities arising on difference between the value of assets recorded for book and tax purposes	(3,284)	-
Deferred tax assets, net	25,017	44,397

c) Deferred tax assets not recognized as of December 31, 2007

Inception Year	Expiration Year	Allowance for Impairment Tax Credit
- 2006	2016	11,987
- 2007	2017	24,872
		36,859

As of December 31, 2007, the Company did not recognize deferred tax assets arising from the earned tax credits and tax losses available for carryforward, as the management were uncertain that these credits could be utilized in the future reporting periods.

17. EARNINGS PER SHARE

	2007	2006
Net profit	165,027	47,184
Weighted average number of shares in the year	1,718,460	1,718,460
Earnings per share (in RSD)	96.03	27.46

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
All amounts are expressed in thousands of RSD, unless otherwise stated.

18. PROPERTY, PLANT, EQUIPMENT, AND INTANGIBLE ASSETS

	Land	Buildings	Plant and Equipment	Other Assets	Advances and Construction in Progress	Total	Intangible Assets
Cost							
(Restated)							
Balance, January 1, 2007	161,953	967,400	2,425,584	2,678	214,164	3,771,779	19,002
Adjustment	-	9,475	17,537	870	-	27,882	-
Opening balance adjustment	161,953	976,875	2,443,121	3,548	214,164	3,799,661	19,002
Additions	-	-	-	-	294,326	294,326	31,426
Activations and transfers	2,798	-	113,271	1,519	(117,588)	-	-
Retirements and disposals	-	(94,560)	(15,209)	-	(2,015)	(111,784)	(516)
Change in the consolidation scope	-	(396,521)	(1,906,044)	-	(103,993)	(2,406,558)	(3,750)
Transfer to property available-for-sale	-	(17,421)	-	-	-	(17,421)	-
Balance, December 31, 2007	164,751	468,373	635,139	5,067	284,894	1,558,224	46,162
Accumulated Depreciation and Amortization							
(Restated)							
Balance, January 1, 2007	-	138,038	926,421	465	-	1,064,924	10,530
Adjustment	-	1,901	14,173	414	-	16,488	-
Opening balance adjustment	-	139,939	940,594	879	-	1,081,412	10,530
Charge for the year	-	29,713	51,304	1,962	-	82,979	1,680
Retirement and disposals	-	(13,492)	-	-	-	(13,492)	-
Change in the consolidation scope	-	(50,616)	(680,656)	-	-	(731,272)	(2,391)
Transfer to property available-for-sale	-	(16,655)	-	-	-	(16,655)	-
Balance, December 31, 2007	-	88,889	311,242	2,841	-	402,972	9,819
Net Book Value:							
- December 31, 2007	164,751	379,484	323,897	2,226	284,894	1,155,252	36,343
- January 1, 2007 *(Restated)*	161,953	836,936	1,502,527	2,669	214,164	2,718,249	8,472

All amounts are expressed in thousands of RSD, unless otherwise stated.

18. PROPERTY, PLANT, EQUIPMENT, AND INTANGIBLE ASSETS (Continued)

A lien has been placed in favor of Alpha Bank A.D., Beograd (former Jubanka A.D., Beograd) against the Company's buildings and factory courtyard, as securitization of the regular repayment of refinanced foreign currency loans. In accordance with the terms of the Agreement on Rescheduling and Write-off of Principal and Interest executed on October 6, 2004 with Alpha Bank A.D., Beograd, the outstanding portion of such loans at December 31, 2007 amounted to USD 1,360,525 and EUR 1,841,416, or aggregately to RSD 220,600 thousand (Note 28).

As of December 31, 2007, equipment included cars and forklift trucks acquired pursuant to the Finance Lease Agreement in the total net book value of RSD 5,764 thousand.

19. EQUITY INVESTMENTS

	December 31, 2007	December 31, 2006 *(Restated)*
Equity investments in related parties	1,208,282	34,596
Equity investments in banks	136	137
Other equity investments in available-for-sale securities	11,690	24
	1,220,108	34,757
Less: Allowance for impairment	(1,480)	(13,753)
Equity investments, net	1,218,628	21,004

Out of the total amount of equity investments in related parties as of Decemebr 31, 2007 the most significant amount relates to the stake in the entity „Tigar Tyres," Pirot amounting to RSD 974,275 thousand.

20. OTHER LONG-TERM FINANCIAL PLACEMENTS

	December 31, 2007	December 31, 2006 *(Restated)*
Long-term residential loans to employees	55,011	57,054
Other long-term financial placements	663	663
	55,674	57,717

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
All amounts are expressed in thousands of RSD, unless otherwise stated.

21. INVENTORIES

	December 31, 2007	December 31, 2006
		(Restated)
Raw and other material	178,131	531,207
Spare parts	21,057	79,421
Tools and fixtures, packaging and car tires	575	308
Work in progress	48,747	79,776
Finished products	493,205	613,995
Commercial goods	336,581	298,013
Advances paid	34,106	41,469
Inventories of "Tigar Tyres"	-	332,053
	1,112,402	1,976,242
Less: Allowance for impairment of inventories	(80,794)	(41,810)
Net value of inventories	1,031,608	1,934,432

	December 31, 2007	December 31, 2006
		(Restated)
Advances paid to domestic suppliers	29,846	35,980
Advances paid to foreign suppliers	4,390	5,489
	34,236	41,469
Les: Allowance for impairment of advances paid	(130)	-
	34,106	41,469

As disclosed in Note 2 to the consolidated financial statements, the Company changed the consolidation scope, which led to an increase in inventories in the amount of RSD 81,001 thousand.

22. ASSETS HELD-FOR-SALE

Assets held for sale stated as of December 31, 2007 in the amount of RSD 23,926 thousand, relate to land and property held-for-sale totaling RSD 23,211 thousand, whereas the outstanding balance of RSD 715 thousand relates to other assets.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007
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23. ACCOUNTS RECEIVABLE

	December 31, 2007	December 31, 2006 *(Restated)*
Accounts receivable – other related parties	309,157	442,934
Accounts receivable - domestic	503,888	633,998
Accounts receivable - foreign	69,809	343,591
Receivables from specific operations	2,310	1,008
Interest receivables	-	-
Dividend receivables	89,700	-
Prepaid taxes and contributions	372	1,945
Receivables from employees	46,919	41,488
Other receivables	637,971	30,753
	1,660,126	1,495,717
Less: Bad debt provision	(93,276)	(106,843)
	1,566,850	1,388,874

24. CASH AND CASH EQUIVALENTS

	December 31, 2007	December 31, 2006 *(Restated)*
Cash in hand in local currency	8,371	2,500
Cash in hand in foreign currency	277	-
Business accounts in local currency	175,035	73,617
Business accounts in foreign currency	127,012	221,876
Other cash	15,175	7,595
Securities – cash equivalents	66	3,768
	325,936	309,356

25. MOVEMENTS IN ALLOWANCE FOR IMPAIRMENTS

	Equity Investments	Inventories	Receivables	Total
(Restated)				
Balance, January 1, 207, previously stated	13,753	41,810	106,843	162,406
Opening balance adjustments	-	-	-	-
Balance, January 1, 2007, restated	13,753	41,810	106,843	162,406
Charge for the year	-	80,790	8,563	89,353
Write-off	(12,273)	(41,806)	(22,130)	(76,209)
	1,480	80,794	93,276	175,550

NOTES TO THE FINANCIAL STATEMENTS
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26. VALUE ADDED TAX AND PREPAYMENTS

	December 31, 2007	December 31, 2006 *(Restated)*
VAT receivables	20,438	69,152
Accrued income	143	-
Prepaid expenses	1,352	1,192
Other prepayments	16,683	10,730
	38,616	81,074

27. SHARE CAPITAL

The structure of the Company's share capital as of December 31, 2007, as stipulated in the excerpt from the Central Securities Depository and Clearing House, was as follows:

	Number of Shares	%
Share Fund (Republic of Serbia)	429,429	25%
Pension fund (Republic of Serbia)	149,981	9%
HVB banka Srbija i Crna Gora A.D., Beograd	139,980	8%
QVT Fund, USA	57,760	3%
Raiffeisen Bank, Wienna	46,679	3%
Global Fund, USA	21,934	1%
Hypo Alpe Adria Banka A.D., Beograd	12,226	1%
Delta Generali Osiguranje A.D., Beograd	11,675	1%
A banka Vipa DD, Ljubljana	11,322	1%
A.D. DDOR, Novi Sad	6,615	0%
Other	830,859	48%
	1,718,460	100

At December 31, 2007, the Company's share capital comprised of 1,718,460 common shares with the individual par value of RSD 1,200.

28. LONG-TERM PROVISIONS

Long-term provisions stated in the balance sheet as of December 31, 2007 amounting to RSD 73,251 thousand (December 31, 2006: RSD 108,888 thousand) entirely relate to provisions for employee benefits, i.e., retirement benefits and jubilee awards.

Assumptions used in the Actuary's assessment were as follows:

	Assessment Date December 31, 2007
Nominal discount rate	9%
Expected rate of salary growth	2%

NOTES TO THE FINANCIAL STATEMENTS
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28. LONG-TERM PROVISIONS (Continued)

The amounts included in the balance sheet depending on the defined benefit plan are as follows:

	December 31, 2007	December 31, 2006 *(Restated)*
Balance, January 1	108,888	119,880
Additional provisions	33,102	9,848
Employee retirement benefits	(26,042)	(11,663)
Effects of the change in the consolidation scope	(42,697)	(9,214)
Other changes	-	37
Balance, December 31	73,251	108,888

29. LONG-TERM LIABILITIES

	December 31, 2007	December 31, 2006 *(Restated)*
Long-term borrowings in local currency indexed to EUR	7,839	557,793
Long-term loans in foreign currencies	265,653	263,640
Finance lease liabilities	4,124	1,896
	277,616	823,329
Less: Current portions of long-term borrowings	(37,183)	(32,180)
	240,433	791,149

a) Long-term borrowings

Creditor	Interest Rate	Currency Code	Amount	December 31, 2007	December 31, 2006
Refinanced foreign currency loans via Jubanka A.D., Beograd:					
Berliner Bank A.G., Berlin	5.5 % p.a.	EUR	414,546	32,847	35,015
Algemene bank Netherlands, Amsterdam	5.6 % p.a.	EUR	1,426,870	113,060	120,520
The First National Bank, Chicago	5.5 % p.a.	USD	1,390,251	74,693	89,149
				220,600	244,684
Other loans via Jubanka A.D., Beograd:					
Centro bank, Milan	6.0 % p.a.	EUR	-	-	3,717
Other borrowings				55,157	574,928
				275,757	823,329
Current portion of long-term borrowings				(35,324)	(32,180)
				240,433	791,149

NOTES TO THE FINANCIAL STATEMENTS
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29. LONG-TERM LIABILITIES (Continued)

The long-term borrowing maturities are presented in the table below:

	2007	2006
- within one year	35,324	32,180
- from two to five years	202,099	686,913
- over five years	36,069	102,340
	273,492	821,433

b) Finance lease liabilities

	Minimum Lease Payments	December 31, 2007 Present Value of Minimum Lease Payments
Finance lease liabilities:		
Within one year	2,186	1,859
Within two to five years	2,405	2,265
	4,591	4,124
	(467)	-
Less: Future finance charges	4,124	4,124
Present value of future liability	(1,859)	-
Less: Amount due for settlement within 12 months	2,265	4,124
Amount due for settlement after 12 months	2,186	1,859

30. SHORT-TERM FINANCIAL LIABILITIES

	December 31, 2007	December 31, 2006 *(Restated)*
Short-term loans in local currency indexed to EUR	776,328	1,128,203
Plus: Current portions of long-term financial liabilities	37,183	32,180
Total short-term financial liabilities	813,511	1,160,383

NOTES TO THE FINANCIAL STATEMENTS
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30. SHORT-TERM FINANCIAL LIABILITIES (Continued)

Domestic Short-Term Loans

Creditor	Interest Rate	Maturity Period	Currency Code	Currency Amount	December 31, 2007	December 31, 2006
Loans in foreign currency						
Société Générale Banka Srbija a.d., Beograd	Three-month EURIBOR + 3.75% p.a.	1 year	EUR	1,000,000	-	79,000
Banca Intesa a.d., Beograd	7.5 % p.a.	1 year	EUR	500,000	39,618	23,700
Alpha Bank a.d., Beograd	6%-8% p.a.	1 year	EUR	3,410,000	270,213	190,074
Export Credit and Insurance Agency	12-month EURIBOR + 2%. p.a.	1 year	EUR	1,000,000	79,235	-
					389,066	292,774
Loans in dinars:						
AIK Banka a.d., Niš	six-month EURIBOR + 3.5% p.a.	1 year	RSD		80,000	-
Unicredit banka a.d., Beograd	13.2% p.a.	1 year	RSD		80,052	83,000
Other loans					264,393	784,609
					424,445	867,609
					813,511	1,160,383

31. ACCOUNTS PAYABLE

	December 31, 2007	December 31, 2006 *(Restated)*
Accounts payable – subsidiaries	284,405	588,884
Advances received from the Parent company and subsidiaries	-	-
Advances, deposits and retainers received from customers	42,864	27,863
Domestic accounts payable	294,009	381,020
Foreign accounts payable	127,758	517,780
Accounts payable for fixed assets	20,910	-
Liabilities from specific operations	76	-
Other accounts payable	676,123	36,423
	1,446,145	1,551,970

NOTES TO THE FINANCIAL STATEMENTS
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32. OTHER CURRENT LIABILITIES AND ACCRUALS

	December 31, 2007	December 31, 2006 (Restated)
Gross salaries	119,334	173,158
Interest accrued	4,051	12,746
Liabilities for dividends and profit share	4,216	2,739
Other liabilities from business relationships	2,521	3,835
Accrued expenses	25,787	52,983
Deferred income	3,453	3,061
Other accruals	2,772	23,495
	162,134	272,017

33. COMMITMENTS AND CONTINGENT LIABILITIES

a) As collateral for regular repayment of liabilities of its domestic subsidiaries' based on long-term and short-term borrowings approved by domestic commercial banks, the Company issued guarantees in the total amount of RSD 291,077 thousand. In addition, the Company acts as a guarantor based on issued customs guarantees, in order to secure payment of customs and other import duties in the total amount of RSD 19,500 thousand.

b) The Company is involved in certain legal proceedings as of December 31, 2007. Based on the information received from the Company's Legal Department and legal advisors, the Company's management,does not anticipate any significant losses in the forthcoming period, and thus, it has not included any provisions against the pending litigations in the FY 2007 financial statements.

34. TAXATION RISKS

The Republic of Serbia tax legislation is subject to different interpretations and changes occur frequently. The interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Company may not coincide with that of the management. As a result, transactions may be challenged by tax authorities and the Company may be assessed additional taxes, penalties and interest, which can be significant. The periods remain open to review by the tax and customs authorities with respect to tax liabilities for five years.

35. POST BALANCE SHEET EVENTS

For the year 2008, the Framework Agreement signed between the Company and Michelin, Netherlands envisages the purchase the additional 10% of equity interest in "Tigar Tyres" from "Tigar" A.D., Pirot. Thereafter, "Tigar" A.D., Pirot will remain the owner of 20% equity in the Tigar Tyres D.,O.O., Pirot.

NOTES TO THE FINANCIAL STATEMENTS
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36. FOREIGN EXCHANGE RATES

The official exchange rates for major currencies used in the translation of balance sheet components denominated in foreign currencies, into RSD were as follows:

	December 31, 2007	December 31, 2006
USD	53.7267	59.9757
EUR	79.2362	79.0000
GBP	107.3080	117.8577
CHF	47.8422	49.1569